



**U.S. Department of Justice**

*United States Attorney  
Southern District of New York*

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**U.S. SETTLES FALSE CLAIMS ACT LAWSUIT ALLEGING ILLEGAL  
MEDICAID PATIENT REFERRAL SCHEME AGAINST  
THE MOUNT VERNON HOSPITAL**

DAVID N. KELLEY, the United States Attorney for the Southern District of New York, announced today that on July 29, 2005, the Government intervened in an action commenced under the qui tam provisions of the False Claims Act by filing a civil Complaint against THE MOUNT VERNON HOSPITAL ("MT. VERNON"). Mr. KELLEY also announced that simultaneous with filing its Complaint, the Government entered into a settlement agreement resolving its claims against MT. VERNON. While denying any wrongdoing in the settlement agreement, MT. VERNON has agreed to pay the Government \$2.65 million over the next five years to settle the Government's False Claims Act claims against it.

United States District Judge KIMBA M. WOOD approved the settlement last Friday in Manhattan federal court.

The Government alleged in its Complaint that beginning in 1997, MT. VERNON entered into an illegal patient referral scheme with a consulting firm under the guise of an

"administrative services agreement." Under this agreement, MT. VERNON paid \$60,000 per month to the consulting firm to provide 22 separate administrative services to MT. VERNON's alcohol and substance abuse treatment and detoxification unit in Westchester County, including patient referrals. The Complaint alleged that other than patient referrals, the administrative services under the contract were not needed by MT. VERNON, were not provided by the consulting firm, or were worthless. Thus, the administrative services agreement amounted to nothing more than a patient referral contract. Referral of patients for a fee violates the New York State Medicaid regulations and the state and federal anti-kickback statutes.

The Complaint further alleged that MT. VERNON thereafter billed the Medicaid program for the treatment it provided to the illegally referred patients. As alleged in the Complaint, the claims that MT. VERNON presented to Medicaid were false or fraudulent in that the hospital certified to the Government that it had provided the services in compliance with all laws and regulations. Under the False Claims Act, there can be liability both for knowingly submitting false or fraudulent claims or for knowingly causing another to do so. According to the Complaint, from 1997 to 2004, MT. VERNON treated hundreds of illegally referred patients, and thereby submitted or caused to be submitted hundreds of false claims to Medicaid.

The Complaint also alleged that MT. VERNON was never certified by the New York State Office of Alcoholism and Substance Abuse Services to provide inpatient alcohol detoxification services in the first place. New York State Medicaid regulations prohibit entities from billing Medicaid for medical services that the entities are not licensed to provide. Thus, the Complaint alleged, the Medicaid claims MT. VERNON submitted for the services it provided to patients in its detoxification unit constituted false claims to Medicaid because MT. VERNON was never legally permitted to submit those claims at all.

In connection with the settlement, MT. VERNON has entered into a corporate integrity agreement with the Office of Inspector General of the Department of Health and Human Services, which is aimed at ensuring that MT. VERNON's participation in the federal health care programs is in conformity with the statutes, regulations and other directives applicable to those programs. Among other things, MT. VERNON will implement a training program for its executives and employees that will advise them of the prohibitions of the state and federal anti-kickback statutes. MT. VERNON will also hire an independent review organization to oversee its compliance with federal health care programs, and it will implement a contractual review process that will ensure that its current and future contracts comply with the state and federal anti-kickback statutes.

Mr. KELLEY stated: "This settlement demonstrates the federal Government's commitment to combat health care fraud and to protect federal health care monies by ensuring that federal funds are expended only to licensed medical providers who fully comply with the law."

Mr. KELLEY praised the investigative efforts of the Federal Bureau of Investigation and the Department of Defense Inspector General's Defense Criminal Investigative Service.

Assistant United States Attorney RAMON E. REYES, JR. is in charge of the case.

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